

INVITATION FOR OFFER
FEDERAL GAS FROM CLIFFSIDE HELIUM ENRICHMENT UNIT
IFO No: MMS-2003-CHEU-001
March 2003 - October 2003/March 2004

Introduction

The Minerals Management Service (MMS) of the U.S. Department of the Interior (DOI) is requesting written offers to purchase Federal gas produced from the Bureau of Land Management's (BLM) Cliffside Helium Enrichment Unit (CHEU). BLM's CHEU is located in Potter County, Texas near the city of Amarillo.

Production from the CHEU is delivered into El Paso Natural Gas' (El Paso) natural gas transmission system via El Paso's Cliffside lateral line. BLM has contracted with El Paso for firm transportation over this lateral.

This sale is for an eight or thirteen month term (approximately) beginning on the start-up date of the CHEU (projected to be March 3, 2003). The successful offeror (buyer) will take custody of the Federal gas at the interconnect of the CHEU and the Cliffside lateral (delivery point) and will schedule and nominate the gas at and downstream of this point.

You must submit a written offer via facsimile (fax no. 303-231-3846) **by 11:00 a.m. Central Time on February 24, 2003**. We will award the offers by 3:00 p.m. Central Time on February 25, 2003. You may call Mike DeBerard at 303-231-3884 with questions about this Invitation for Offer (IFO).

Offers

The Exhibit is the offer sheet containing the meter number, estimated daily production, preferred index price and contact information. Your offer, expressed as an increment or decrement in relation to the index price, should be placed in the appropriate offer sheet column (eight or thirteen month term or both). Please note that we are selling all this gas under a swing obligation on the daily market rather than using a baseload and swing component. The CHEU volume may increase or decrease through the term of this sale although BLM anticipates relatively stable production rates.

Offerors must be pre-qualified to receive a contract. See the Pre-Qualification and Credit Requirements section. By submission of an offer, the offeror agrees to be bound to the terms and conditions of its Gas Industry Standards Board (GISB) contract with MMS and this IFO.

Consideration of Offers

MMS may award a contract on the basis of initial offer(s) received without discussions. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror could submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated value are received.

The MMS shall award a Contract resulting from this IFO to the offeror whose offer, in MMS' judgement, is most advantageous to the Federal Government. MMS will award to the buyer by means of a Natural Gas Purchase Confirmation Notice which will also include payment instructions.

Neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except; (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to implement any transaction as described below in the Transportation and Scheduling of Federal Gas section, or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

Governing Contract

This transaction is governed by the GISB contract signed between the buyer and MMS. The provisions in this IFO are a condition of your purchase and are supplemental to the GISB contract. Conflicts between the GISB contract and this IFO shall be resolved in favor of the IFO.

Term

Initial deliveries of Federal gas to the buyer will commence on the start-up date of the CHEU. The delivery period will be for a term ending October 31, 2003, or March 31, 2004, depending on the value of offers received, unless either party cancels the transaction.

The reasons for which MMS may declare an early cancellation may be, but are not limited to:

- (1) The failure to pay, when due, any payment required under this agreement, if such failure is not remedied within five (5) business days after written notice of such failure, provided that the payment is not the subject of a good faith dispute and the buyer pays MMS such amounts as it concedes to be correct;
- (2) Any representation or warranty which is proven to have been false or misleading in any material respect when made or deemed to be repeated;
- (3) The failure to provide adequate financial assurances to MMS as specified under the Pre-Qualification and Credit Requirements section.

Transportation and Scheduling of Federal Gas

The buyer agrees to take 100 percent of the Federal gas delivered at the delivery point for the entire contract period. BLM will use reasonable efforts, consistent with industry practice, to inform the buyer regarding significant changes in gas production levels, gas quality, and production shut-ins. The buyer, through customary industry practice set forth by GISB and the Council of Petroleum Accountants Societies (COPAS) in nominating and scheduling transportation services, will communicate directly with BLM. The buyer, at its expense, shall make all necessary arrangements to receive delivery of Federal gas at the delivery point. The buyer is not responsible for costs of transportation upstream of the delivery point nor is it responsible for the Cliffside lateral transportation cost.

No later than 8 calendar days before the first day of each month, BLM will notify the buyer of the daily gas volume and quality anticipated for the following month of production. The buyer understands that any such estimate is not a warranty of actual deliveries to be made but is provided to facilitate planning of delivery of Federal gas. This will continue for each month of the delivery period.

MMS must be able to track the Federal gas volumes that are nominated and allocated (delivered) via electronic bulletin boards. Federal gas, therefore, must be moved as a distinct entity under a business party number unique to MMS. MMS will work with you and the pipeline to establish MMS as a read-only producer or upstream entity.

Pre-Qualification and Credit Requirements

Offerors are required to pre-qualify by signing the base GISB contract and providing detailed financial information. Please visit our website at <http://www.mrm.mms.gov/rikweb/prequal.htm> for pre-qualification information. Upon pre-qualification, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases, offerors that have previously submitted financial documentation for 2001 or 2002 will not need to resubmit, and approved unsecured lines of credit are still valid. However, MMS reserves the right to request updated financial information in any situation it deems as reasonable and may reissue or suspend approved lines of credit. Please be advised that MMS requires a parent guaranty in situations where the offeror company is a different entity than the company that has pre-qualified.

For awards exceeding the amount of credit issued by MMS or in situations where MMS has suspended the approved line of credit, buyers will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument. The surety instrument must be provided within 5 business days prior to the first delivery of the natural gas under the contract. If additional security is required, buyers will be notified, and such notice will be included in the Natural Gas Purchase Confirmation Notice. The ILOC, Bond, or other MMS-acceptable surety instrument must be effective for a period beginning on the date of first delivery under the contract and ending when payment for final month of delivery is verified. Failure to provide adequate financial assurance when requested may result in a loss of award unless the Contracting Officer for the MMS extends the date.

The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all Federal gas awarded, less the amount of credit issued by the MMS. The value of the financial assurance should be calculated as a price/MMBtu using the offer value and the applicable February 2003 first-of-month price, multiplied by the daily production (estimated in the Exhibit), multiplied by 60 days, less the amount of unsecured credit issued by MMS.

Significant and sustained increases in the value of Federal gas during the term of the contract may result in the requirement to increase the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurances may be required as a condition to further performance under the agreement. Such assurances include, but are not limited to, a prepayment or an ILOC in a form and amount satisfactory to MMS. An investment-grade rating by Standard and Poor's is required by MMS to maintain creditworthiness.

The financial institution issuing the ILOC or surety company issuing the Bond must meet MMS requirements under 30 CFR Part 208.11. A sample of the ILOC or Bond can be found at <http://www.mrm.mms.gov/ReportingServices/Forms/RIK.htm>. Please contact Larry Cobb at 303-231-3307 if you have any questions regarding pre-qualification or credit.

Liquidated Damages

MMS will remarket the gas in the event an early contract termination occurs. MMS will collect from the terminated party an amount equal to the positive difference, if any, between the contract price less the price at which MMS is able to remarket the gas not purchased, using commercially reasonable efforts in an arm's-length transaction. This provision does not preclude MMS from enforcing any liquidated damages specified in the signed GISB contract.

PAPERWORK REDUCTION ACT STATEMENT: The Paperwork Reduction Act of 1995 requires us to inform you that the information being collected under this solicitation is necessary to document fulfillment of Federal obligations and sales of minerals from leases on Federal lands. We will use this information to evaluate offers on sales of Federal production. The estimated burden to report is approximately one hour each for a offer document, letter of credit or bond, or financial statement or pre-qualification document. Suggestions on reducing this burden should be directed to the Information Collection Clearance Officer, MS 4230, MMS, 1849 C Street, N.W., Washington, D.C. 20240. Proprietary information submitted to the U.S. Department of the Interior is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Departmental Regulations (43 CFR 2). Storage of such information and access to it are controlled by strict security measures. An agency may not conduct or sponsor and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number.

Exhibit

Offer Sheet

Exhibit

Minerals Management Service
IFO No. MMS-2003-CHEU-001

Federal Gas Sales - CHEU

Delivery Point	Volume MMBtu/ Day	Obligation (see note)	Mar-03 to Oct-03 (8-mo. term) Offer	Mar-03 to Mar-04 (13-mo. term) Offer
El Paso's Cliffside Lateral (ICLIFSID DRN 350305)	12,000	Swing		

Note: Swing Gas is offered at Gas Daily (Daily): El Paso Natural Gas Co. (Permian Basin)

Your Name

Phone No.

Company Name

Fax No.

Contacts:

MMS: Mike DeBerard 303-231-3884
BLM: Tim Spisak 806-356-1002
MMS Fax No. 303-231-3846